THE ARIMANI OF THE NAVY

Amening on

March 7, 1941

Sirs:

RALL CAROLINE

Ey letter of Locember 19, 1940, No EN12/General (Resp. 131), to the Supervisor of Shipbuilding, USN, the Contractor refers to Article 3(d) of the General Provisions for the construction of Naval vessels, which provides under the caption "Special Flant Protection" as follows:

" (d) In addition to the ordinary precautions heretofore adopted by the contractor for the guarding and protection of its plant and work, the contractor shall provide such additional watchmen and devices for the protection of its plant and property and the work in process for the Department against espionage, acts of war, and acts of enemy aliens as may be required by the Secretary of the Navy. The additional cost thereof shall be treated as a change under this contract."

The Contractor states that he has complied with the foregoing provision of the contracts which has resulted in increased cost of facilities and also increased plant operating costs, and that the operating expense will be current and will continue during the construction period of each vessel. He requests that a general change for all contracts covering the increased cost involved for special plant protection be authorized, and that current operating costs, as submitted by him, be adjudicated by the Change Board each month, and that payments, as earned, be made monthly by the Navy Department.

The procedure proposed by the Contractor is, in general, satisfactory to the Navy Department. In order that the Bureau of Ships may issue the proper administrative instructions in the matter to all Supervisors of Shipbuilding, the Secretary of the Navy herety modifies Article 3(d),

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quoted above, of Contracts NOd-1430, NOd-1432, NOd-1433, NOd-1497, NOd-1500, NOd-1503, NOd-1642, and NOd-1732, to read as follows:

" (d) In addition to the ordinary precautions heretofore adopted by the Contractor for the guarding and protection of its plant and work, the Contractor shall provide, as may be required by the Secretary of the Navy, or the Chief of the Bureau of Srips as his duly authorized representative, such additional watchmen and devices for the protection of its plant and property and the work in process for the Department against espionage, acts of war, and acts of enemy aliens. The additional cost thereof shall be treated as a change under this contract."

It is requested that the receipt of this letter be acknowledged. $% \left(1\right) =\left(1\right) \left(1\right) \left($

Respectfully,

/s/ James Forrestal
Acting Secretary of the Navy.

Federal Shipbuilding and Dry Dock Company, Kearny, New Jersey.

CC: BuShips, SupShip., Kearny, N.J., BuS&A, CompBD (2), G.A.O. (Audit Div.)

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The certainties of the loss, defined and or expense of the kinds covered by the policies of insurance openied for in the central, the Department will never no desame on the contractor for or or account of the value of the vessel vessels, her/their apparel, tackle, ordinance, furniture, and arount of the same of the atmosph of insurance the contractor is regard to carry under the apparents to the event of loss and/or damage to the vessel vessels and/or materials and applicontract. In the excess of the amount required to be covered by insurance, the Secretary of the Navy may, in his discretion, order the contractor to proceed with the work of repair or replacement, the cost thereof to the extent of the insurance required, to be borne by the conrescor and or the underwriters, on payment orders daly indoes d by the Secretary of the Navy and the cost of said work, over and above the amount of insurance required, to be borne by and the cost of said work, over and more one amount of insurance required, to be forme by the Government and determined in the manner provided in the contract for determining the the Government and decomment in the manner proving in the contract for determining the increased cost of changes and paid to the contractor as a change, or order the contractor to discontinue all work on the vessel vessels on receipt of which enter the contractor's obligation to construct the vessel vessels under the contract shall cease and determine, and the Department construct the vesser vessers union the construction such ceme and determine, and the Department will be entitled to all sums payable under the insurance requires to be placed up to the amount of will be entitled to all same payable and the insurance required to be placed up to the amount of its loss, and the Department will pay to the contractor all sums theretofore earned under the contract and not previously paid, and in addition thereto all extra costs and expenses to the contractor, by reason of the ceasing and determination of such obligation, which extra costs and emeases shall include (1) the cost of care of the damaged vessel/vessels and parts therefor and of the disposition thereof as the Seretary of the Nuvy shall direct; (2) any amount for which the discontactor shall be liable by reason of the cancellation of orders for material or work that may be rendered necessary because of the ceasing and determination of such obligation; (3) reasonable compensation for the use of property of the contractor occupied or required by the damaged vessel or such work until disposition thereof: and (4) any other reasonable expense to the contractor caused by the ceasing and determination of such obligation and by such disposition. The contractor will also be entitled to 8.7 percent of such extra cests and expenses as a profit. The amount of such extra cests and expenses shall be determined in the same manner as is provided in the contract for the determination of the amount of compensation parable to the contractor in the case of changes. (c) Where loss and or damage occurs amounting in value to less than the extent of the assirance required, the vessel vessels and or parts therefor, shall be restored to its their previous condition by the contractor, who will be reimbursed therefor by the underwriters on payment coders duly indersed by the Secretary of the Navy. 8. The contractor shall hold and save the Department, its officers, agents, servants and Patenta employees harmless from liability of any nature or kind, including costs and expenses, for or on account of the use or manufacture of any patented or unpatented invention, article, or appliance manufactured or used in the performance of the contract, including their use by the Government sinstalled on the vessel/vessels: Provided, however, That this requirement shall not be construed a extend to anything supplied by the Department. 9. (a) In case the construction of the vessel/vessels as a whole is suspended by the Secre- suspended of work my of the Navy, the contractor as soon as practicable after the receipt by it of written notice of the suspension shall stop all work in connection with the construction of the vessel/vessels, scept such work as the Secretary of the Navy shall direct the contractor to continue; and the ntractor during such suspension shall care for the vessel/vessels and for all materials and equipant on hand for the construction thereof, and the contractor small promptly furnish to the Secretary of the Navy copies of all outstanding orders for materials, equipment, and appliances work placed with other parties, and shall take such action relative to such orders as may be rected by the Secretary of the Navy. In case of any such suspension, the Department shall maintain the contractor for all additional expenses determined by the Compensation Board to have been included by the cost of any special work. have been incurred by reason of such suspension, including (i) the cost of any special work ected by the Secretary of the Navy that would not have been necessary if the construction of evessel/vessels had not been suspended; (2) the cost of the care and preservation of the vessel/vessels during the period of suspension; (3) the proper portion of the fixed overhead charges which the vessel/vessels would have borne during the period of suspension, if the construction of the (reseds had not been suspended; (4) any additional payments for which the contractor is ole by reason of the suspension or cancelation of orders for material, equipment, and appliances work that may be directed by the Secretary of the Navy; (5) the increased cost, if any, due the resumption of work after its suspension; (6) any other reasonable expense which the restrictor shall have incurred on account of such suspension, including reasonable compensation is it for the unfinished resset. it for the use of property of the contractor occupied or required by the ununished vessel

Termination

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vessels until final disposition thereof. The Department shall also pay to the contractor 8.7 percent of such additional expenses. The Secretary of the Navy will grant an extension in the contract construction period equal to the delay caused by such suspension, which increase shall not be a support of the Navy will grant an extension of the delay caused by such suspension, which increase shall not be a support of the Navy will grant an extension of the delay caused by such suspension.

not in any case be less than the period of such suspension.

(b) The amount which the Department shall pay to the contractor will be determined by the Compensation Board. As soon as practicable after such suspension is ordered, the Board shall determine the amount to be allowed the contractor as monthly payments, and after such suspension is terminated the Board shall determine the amount in addition to the monthly suspension. The amounts so deterpayments which shall be payable to it on account of such suspension. The amounts so determined, when approved by the Secretary of the Navy (after hearings, if desired by the contractor), shall be the amounts that shall be paid to the contractor in full settlement of the

10. (a) In case of the failure or omission of the contractor, at any stage of the work prior costs of such suspension. to its completion, from any cause or causes, to go forward with the work and make satisfactory progress toward its completion within the period prescribed, the Secretary of the Navy for just cause after due hearing may, by written notice to the contractor, terminate its right to proceed with the work. In case the contractor's right to proceed is so terminated, the Department may, when the delays, in the judgment of the Secretary of the Navy, are retarding progress of work to such an extent as to jeopardize completion and delivery of the vessel/vessels within the pre-scribed time, immediately enter the works and premises of the contractor and take possession of the vessel/vessels and the materials for its/their construction. The Secretary of the Navy thereupon shall cause to be taken and filed a full and complete statement and inventory of all work done or begun in, upon, or about the vessel/vessels and of all materials on hand or on order applicable thereto, or intended therefor, by a board consisting of not less than five persons qualified by knowledge and experience for the discharge of their duties, to be appointed by the Secretary of the Navy, which board shall proceed without unnecessary delay to examine such work and materials, and upon such examination the contractor may attend by representative and, if it so desires, by counsel, and submit evidence.

(b) Upon receipt by the Department of the statement and inventory prepared by said board as aforesaid and approved by the Secretary of the Navy, the Department may proceed with the completion of the vessel/vessels in accordance with the contract, including changes therein that may be authorized in accordance with the provisions thereof either at the plant of the contractor or elsewhere, by contract or otherwise, in its discretion, using for that purpose all suitable materials, equipment, and appliances on hand or on order and included in the inventory aforesaid, and may remove the vessel vessels and materials to such other place or places as may be requisite to the exercise of such discretion. The contractor on receiving notice of the intention of the Department to proceed with the completion of the work will surrender the vessel/vessels and all such materials, equipment, and appliances, together with the use, so far as required, of the plant of the contractor, and all machinery, tools, and appliances appertaining thereto and theretofore used, or necessarily to be used, in and about the finishing of the work. The completing of the vessel/vessels shall be carried on without unnecessary delay, and shall be at the expense of the contractor, who shall be chargeable with any increase in the cost of materials or labor incurred by reason of its failure to perform this contract, and with the cost of correcting any improper or defective work discovered in such parts of the vessel/vessels as may have been constructed by the contractor, or of replacing any defective material furnished by it except as hereinafter otherwise

(c) If, in the judgment of the Secretary of the Navy, such failure or omission shall have been due to fire or to causes beyond the control and without the fault or negligence of the contractor, including but not restricted to acts of God or of the public enemy, acts of the Government, including but not restricted to acces or coor or one paone enemy, acces or one travernment, flood, epidemies, quarantine restrictions, strikes, freight embargoes and unusually severe weather or delays of subscontractors due to such Cesies, then the contractor, without restricting the right of the Secretary of the Navy under this article, shall be entitled to payment for all work done to the date of the receipt of notice of termination in the same manner and to the same extent as if the contract had been cancelled in accordance with the provisions of Article 11 hereof. If, however, in the judgment of the Secretary of the Navy, such failure or omission shall have been due to other causes, then in making the final settlement of the hability of the contractor an account shall be stated substantially as follows:

The contractor and his sensities shall by charged

(1) With all payments made to it under the contract less such payments, if any as may have been refunded.

(2) With the cest of ma crial and labor and all other expenses incurred by or on behalf of the Department, in fine-birg the work in accordance with the contract and changes duly of the Department, as an army the contractor's right to proceed with the work was terminated

(d) If the total amount their charged against the contractor should exceed the contract pro-(d) If the testal amount thus energin against the contractor should exceed the contract price of the vessel vessels, plus the net extract d'any, at the time of the termination of such radial the contract a shall pay some excess, on demand, not the powerest thereof shall be second by the Department in full discharge of all its closure tensor than contract. Should said another however, be less than said contract price plus the net extract firm, at the time of said termination, the deficiency shall be raid as and accented by the contractor in full discharge of all its. however, he assessed to some some proof of the contractor of the contractor of all discharge of all its charge under this centract. Provided, boscorer. That said deficiency shall not exceed the contract value of the materials, equipment, et. I epphances delivered still the work done by the contractor

less previous payments made to it.

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